

# **RSCC CONFERENCE CALL**

## **COAL SUBCOMMITTEE**

January 7, 2008  
10:00 – 11:00am

### **PRESENT ON THE CALL**

- ☞ Subcommittee Members: Dan Bucks, Evan Barrett, Mike Scanlin
- ☞ Public: Barbara Ranf (BNSF),
- ☞ Invitee: Scott Rickard (Center for Applied Economic Research, MSU Billings)
- ☞ Coordinator: Gloria O'Rourke

### **PURPOSE OF THE CALL**

Subcommittee Chair Evan Barrett called the meeting of the RSCC Coal Subcommittee to discuss how to move forward in determining the needs of the coal industry as they relate to rail service competition issues in Montana.

### **SUMMARY OF THE DISCUSSION**

After a lengthy discussion, it was suggested the subcommittee gather facts and data on the following:

- ☞ Conduct an analysis to determine what role Montana coal severance taxes may play in the competitiveness of Montana coal; include the relationship of those taxes to other competitive issues especially the cost of rail transport of coal given the captive rail shipping situation in Montana.
  - The comparison may also include extraction cost, reclamation costs, permitting costs, etc.
  - As possible in the study, identify multiple cost structure issues: Compare all accessorial charges (labor, fuel, etc.) in addition to freight rates over a period of time, looking to see whether or not freight rates have gone up at the same rate as other costs.
  - Once the cost structure has been identified, determine impact of reducing any of those components and effect of that reduction on movement of Montana coal to market.
  - Take a look at Montana transportation/freight rate costs compared to Wyoming and reasons for differences.
- ☞ Have the study done by Scott Rickard of the Center for Applied Economic Research at MSU Billings, who is under contract with the RSCC for this type of work; have him work out a subcontract relationship with Terry Whiteside to help obtain information necessary for the economic analysis; Federal Energy Regulatory Commission may have information as well.
- ☞ Contact mining companies to get their input regarding rail shipping difficulties and solutions.
- ☞ Obtain the railroad side of the story regarding rates and service.
- ☞ Bottom line: The subcommittee will gather accurate data and place it in a form easy for the RSCC, the public, policy makers and officials to understand.

### **ACTION ITEMS:**

- ☞ Confer with Scott Rickard and Terry Whiteside to determine the feasibility of:
  - Comparing trends, freight rates and coal severance taxes in Montana, Wyoming and other relevant locations.
  - Analyzing multiple components of cost of production and transportation to the delivery of coal to final destinations (hopefully over a five to ten year period)

- Evaluating the differentials in other costs related to coal production.
- ☞ Evan, Terry and Scott will try to meet via phone prior to the RSCC meeting on January 9<sup>th</sup> to provide a progress report to the RSCC. The Coal Subcommittee may meet at 10:45, just prior to the RSCC meeting.

**MISC. Notes:**

- ☞ The STB has hired a consultant to do a study on rail competition which is due the end of this year.
- ☞ Include Larry Finch in future conversations.
- ☞ Future discussion item: Tongue River Rail Road accessing Otter Creek Coal and the impact this might have on rail competition in the state.

**PUBLIC COMMENT and CLOSING:**

Subcommittee Chair Evan Barrett asked for comments from the public. None offered.

With no further discussion, Evan Barrett closed the meeting.